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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, December 21, 1999

PETITION OF

CASE NO. PUA990046

VIRGINIA-AMERICAN WATER COMPANY

AND

UNITED WATERWORKS, INC.

For authority pursuant to the Utility Transfers Act,
§§ 56-88 *et. seq.* of the Code of Virginia

ORDER GRANTING AUTHORITY

On August 25, 1999, Virginia-American Water Company (“Virginia-American”) and United Waterworks, Inc. (“United Waterworks”), (collectively referred to as “Petitioners”) filed a completed petition with the Commission requesting authority pursuant to the Utility Transfers Act, §§ 56-88 *et. seq.* of the Code of Virginia (“Virginia Code”), to acquire United Waterworks’ wholly owned Virginia subsidiary, United Water Virginia, Inc. (“United Water Virginia,” “UWV”). On September 23, 1999, the Commission issued an order directing Petitioners to provide notice and permitting interested persons to comment and to request a hearing.

There were no requests for hearing. There was, however, a filing of correspondence between counsel for Corrotoman-by-the-Bay Water System to Petitioners’ counsel regarding asset ownership issues for the Corrotoman-by-the Bay Water System.¹

¹ The ownership issues are being litigated in a proceeding before the Lancaster County Circuit Court in which a Motion for Declaratory Judgment was filed on November 10, 1999. Since this application involves the transfer of stock, the issues raised regarding ownership of assets do not appear to have an effect on this case.

As stated in the petition, Virginia-American is a public service company that provides water services to approximately 50,000 customers located in Alexandria, Dale City, Hopewell, portions of Prince William County, Prince George County, and the Fort Lee military reservation in Virginia. It is a wholly owned subsidiary of American Water Works Company (“American,” “AWW”).

American is a Delaware corporation headquartered in Voorhees, New Jersey. Through its subsidiaries, American provides water and wastewater services to approximately 2.4 million customers in twenty-three (23) states.

United Waterworks is a wholly owned subsidiary of United Water Resources, a utility holding company that owns and operates water utilities in nineteen (19) states and Canada. United Waterworks is the parent of United Water Virginia, a public service company certificated within the Commonwealth of Virginia. United Water Virginia provides water and wastewater services to approximately 1,800 customers within sixteen (16) separate systems located east of the Rappahannock River in Westmoreland, Northumberland, Lancaster, King William, and Essex Counties.

Pursuant to a Stock Purchase Agreement (the “Agreement”) between United Waterworks and Virginia-American dated July 12, 1999, United Waterworks has agreed to sell and Virginia-American has agreed to purchase all of the issued and outstanding shares of common stock of United Water Virginia. Virginia-American has agreed to pay to United Waterworks approximately \$2,300,000, as adjusted to reflect total shareholders’ equity as of the date of closing. According to the terms of the Agreement, Petitioners contemplate Virginia-American being the sole shareholder of United Water Virginia, and United Water Virginia, therefore, will become a wholly owned subsidiary of Virginia-American. After the proposed transfer of stock, United Water Virginia will continue to operate as a water utility in Virginia. Petitioners represent that the purchase price to be paid by Virginia-American was determined through arms-

length negotiations between the two non-affiliated entities and is based on the book value of the equity of United Water Virginia.

As represented by Petitioners, neither the provision of service nor the rates charged customers will change as a result of the transfer. United Water Virginia will continue to provide service to its customers except that, rather than the stock being directly owned by United Waterworks and ultimately owned by United Water Resources, all stock of United Water Virginia will be owned directly by Virginia-American and ultimately owned by American. As indicated previously, Petitioners represent that rates will not change as a result of the transfer. The Commission will have the same regulatory authority over United Water Virginia after the transfer. Petitioners represent that the transfer of stock will have no adverse economic impact in Virginia, and United Water Virginia's existing five (5)-year capital budget plan will remain in place.

THE COMMISSION, upon consideration of the application and representations of Petitioners and having been advised by its Staff, is of the opinion and finds that the proposed transfer of United Water Virginia's stock from United Waterworks to Virginia-American will neither impair nor jeopardize the provision of adequate service to the public at just and reasonable rates and, therefore, should be approved. Accordingly,

IT IS ORDERED THAT:

- 1) Pursuant to Virginia Code § 56-89 and § 56-90, the disposition and acquisition of the shares of United Water Virginia, Inc., as set forth in this petition is hereby approved.
- 2) Petitioners shall file a report of action detailing the price paid for the shares of United Water Virginia, Inc., and the date the transfer was accomplished.
- 3) The authority granted herein shall have no ratemaking implications.
- 4) There appearing nothing further to be done in this matter, it hereby is dismissed.